

Message Text

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ACTION EUR-12

INFO OCT-01 IO-10 ISO-00 CIAE-00 DODE-00 PM-03 H-02 INR-07

L-02 NSAE-00 NSC-05 PA-02 PRS-01 SP-02 SS-15 USIA-15

COME-00 EB-07 LAB-04 SIL-01 OMB-01 TRSE-00 /090 W

----- 040470

R 251722Z FEB 75

FM AMEMBASSY BONN

TO SECSTATE WASHDC 8242

INFO AMCONSUL BREMEN

AMCONSUL DUSSELDORF

AMCONSUL FRANKFURT

AMCONSUL HAMBURG

AMCONSUL MUNICH

AMCONSUL STUTTGART

USMISSION USBERLIN

USMISSION EC BRUSSELS

USMISSION GENEVA

USMISSION NATO BRUSSELS

AMEMBASSY BERLIN

AMEMBASSY BRUSSELS

AMEMBASSY BERN

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY HELSINKI

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY OSLO

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY STOCKHOLM

AMEMBASSY THE HAGUE

AMEMBASSY VIENNA

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E.O. 11652: N/A

TAGS: ELAB, GW

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SUBJECT: WAGE NEGOTIATIONS FOR 1975.

REF: BONN 1637 OF JAN 30, 74, AND 3468 OF MAR 4, 74;
A-281, JUN 3, 74.

1. SUMMARY. MAJOR SETTLEMENTS AWARDED WORKERS WAGE INCREASES BETWEEN 6 AND 7 PERCENT PLUS FRINGE BENEFIT INCREASES HAVE ESTABLISHED THE PATTERN FOR REMAINING SETTLEMENTS AND ARE A PLUS FOR THE SCHMIDT GOVERNMENT WHICH HAD PROJECTED THAT THE TOTAL WAGE BILL IN 1975 WOULD INCREASE BETWEEN 7.5 AND 8.5 PERCENT.
END SUMMARY

2. SETTLEMENTS IN THE CONSTRUCTION INDUSTRY, THE PUBLIC SERVICE AND IN THE METAL INDUSTRIES OF NORTH RHINE WESTPHALIA ESTABLISH THAT WAGES, WHICH INCREASED BETWEEN 12 AND 14 PERCENT IN 1974, WILL INCREASE LESS IN 1975. AT THE BEGINNING OF NEGOTIATIONS EMPLOYER REPRESENTATIVES IN THE METAL INDUSTRY WERE OFFERING WAGE INCREASES OF 6 PERCENT WHILE THE GOVERNMENT WAS OFFERING 5 PERCENT FOR GOVERNMENT EMPLOYEES. UNION NEGOTIATORS ASKED FOR INCREASES OF 11 AND 10 PERCENT RESPECTIVELY ALTHOUGH MANY UNION LEADERS WERE ALREADY PRIVATELY PREDICTING THAT SETTLEMENTS WOULD PROVIDE INCREASES IN THE NEIGHBORHOOD OF 7.5 TO 8.5 PERCENT PLUS FRINGE BENEFITS.

3. SEVERAL FACTORS COMBINED TO MAKE IT POSSIBLE AND EVEN NECESSARY FOR THE UNIONS TO ACCEPT FAR LESS THAN THEIR ORIGINAL DEMANDS: CONTINUALLY RISING UNEMPLOYMENT DURING THE PAST YEAR STRENGTHENED THE EMPLOYERS' ARGUMENT THAT EXCESSIVE WAGE INCREASES WOULD DIVERT FUNDS WHICH COULD BE USED FOR ADDITIONAL INVESTMENTS WHICH WOULD PROTECT EXISTING JOBS AND CREATE ADDITIONAL EMPLOYMENT. UNEMPLOYMENT NO DOUBT ALSO HAD THE PSYCHOLOGICAL EFFECT OF MAKING WORKERS AND UNIONS MORE MODEST IN THEIR DEMANDS. THERE WAS ALSO CONSIDERABLE PUBLIC AND PRESS RESISTANCE TO THE ORIGINAL DEMANDS OF 10 AND 11 PERCENT. ALTHOUGH IT CAREFULLY AVOIDED THE IMPRESSION THAT IT WAS SETTING WAGE GUIDELINES, THE SCHMIDT GOVERNMENT EXERTED A QUIET BUT STRONG PRESSURE ON THE UNIONS TO HOLD WAGES DOWN. (LAST YEAR IN AN ATTEMPT TO COMBAT
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INFLATION THEN CHANCELLOR BRANDT CALLED IN TOP UNION LEADERS TO PLEAD FOR WAGE RESTRAINT. THIS YEAR

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THERE ARE REPORTS THAT CHANCELLOR SCHMIDT MADE PRIVATE CALLS TO UNION LEADERS URGING MODERATION.) MAKING IT POSSIBLE FOR THE UNION TO ACCEPT LESS ARE EXPECTATIONS THAT REDUCED INFLATION, TAX REFORM AND INCREASED CHILD ALLOWANCES PLUS A MODERATE WAGE INCREASE WOULD CAUSE REAL NET EARNINGS OF THE AVERAGE WORKERS TO RISE ABOUT 5 PERCENT.

4. RESPONDING TO THESE CONDITIONS AND PRESSURES, THE CONSTRUCTION WORKERS SIGNED A CONTRACT PROVIDING A 6.6 PERCENT WAGE INCREASE. THE PRINTING AND PAPER WORKERS UNION ACCEPTED 6.6 PERCENT FOR WORKERS IN THE PAPER AND CARDBOARD PRODUCTS INDUSTRY. THE PUBLIC SERVICE AND TRANSPORT WORKERS UNION (OETV) TOOK AN INCREASE OF 6 PERCENT PLUS A ONE TIME PAYMENT OF DM 100. THE METALWORKERS IN NORTH RHINE WESTPHALIA, HESSE, RHINELAND PALATINATE AND LOWER SAXONY ACCEPTED 6.8 PERCENT. THESE AGREEMENTS COVER ABOUT ONE THIRD OF THE FRG LABOR FORCE. MAJOR UNCOMPLETED NEGOTIATIONS INCLUDE THOSE IN THE POSTAL SERVICES AND THE STATE OWNED RAILROAD. HOWEVER SETTLEMENTS IN THESE AND OTHER SECTORS ARE EXPECTED TO CLOSELY FOLLOW THE PATTERN ALREADY ESTABLISHED.

5. COMMENT. THESE SETTLEMENTS ESTABLISHING MODERATE WAGE INCREASES REPRESENT A POLITICAL "PLUS" FOR THE SCHMIDT GOVERNMENT IN ITS EFFORTS TO COUNTER INFLATION AND UNEMPLOYMENT. END COMMENT
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